

# STATE OF IDAHO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended

JUNE 30, 1997

# IDAHO COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR  
ENDED JUNE 30, 1997



PHILIP E. BATT  
GOVERNOR

J.D. WILLIAMS  
STATE CONTROLLER

Prepared by the Office of the State Controller

# STATE OF IDAHO

## Office of the State Controller

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State Controller

**Hal W. Turner, CGFM**

Chief Deputy State Controller

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**Laird Justin**

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Thanks and appreciation to all the employees of the State Controller's Office, without whose contributions this report would not be possible.

## **DEDICATION**



**John Gregory White**  
**January 30, 1955 - August 11, 1997**

This Fiscal Year's 1997 Comprehensive Annual Financial Report (CAFR) is dedicated to the memory of John Gregory White, former Administrator, Division of Statewide Accounting. From 1985 until his untimely death at the age of 42, he was a key member of the State Auditor/Controller's management team. Greg was charged with the responsibility for initial acquisition and implementation of the Statewide Accounting and Reporting System (STARS) to conform to generally accepted accounting principles (GAAP). After the new system was implemented, he then coordinated the development and implementation of the State's internal controls and fixed asset systems which were required before this CAFR could be published in accordance with nationally accepted financial standards.

Under his sound leadership, Idaho benefited much. We now have a modern financial management and reporting system that portrays the financial condition of the State for our citizens and financial institutions.

It is indeed unfortunate that Greg did not live long enough to see the results of his industriousness.

We dedicate this CAFR as witness to the memory of his professional talents, leadership, outstanding personal skills, and the superlative diligence he always exhibited in carrying out his tasks and responsibilities that contributed to the successful publication of this document.

In his name, the Idaho Centennial Chapter of the Association of Government Accountants established a scholarship and a tree has been planted in his memory adjacent to the Joe R. Williams Building which houses the State Controller's Office on the Capitol Mall in Boise.

Greg White was an extraordinary person who was successful because he really cared about people and those who worked for him. He has set a high standard for those who follow him in administering the financial affairs of Idaho government.

# INTRODUCTORY SECTION



“COEUR d’ALENE LAKE”

photo by Brad Hagadone, courtesy of Kootenai County Convention and Visitors Bureau

North Idaho ~ East of Coeur d. Alene  
is Silver Valley, the largest silver producing  
area in the world ~ With a Bavarian theme, the  
City of Kellogg sports the longest single-stange  
gondola, rising 3,400 feet ~ Heyburn Park, the first state  
park in the Pacific Northwest, was christened in 1908 and is  
one of the oldest parks in the nation ~ The Cataldo Mission was  
constructed around 1850, and is the oldest standing building in Idaho.



OFFICE OF THE GOVERNOR

P.O. Box 83720  
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**PHILIP E. BATT**  
GOVERNOR

(208) 334-2100

A MESSAGE FROM PHILIP E. BATT

Governor of Idaho

When I first took office, one of my priorities was to create a lean and efficient government to best serve Idaho – one that would be financially accountable. As evidenced in this year's financial report, I believe we have accomplished that goal. I would like to commend State Controller J.D. Williams and his staff for their work in compiling this report for the public's review.

Idaho is a great place to live. As residents, we are fortunate to live in one of the most beautiful states in the nation; as citizens, we have worked together to build a healthy economy. I would like to thank all Idahoans for allowing me the honor of serving as your governor for the past four years. Together, we are building a legacy of which we can all be proud.

Very truly yours,

A handwritten signature in cursive script that reads "Philip E. Batt".

Philip E. Batt  
Governor



## OFFICE OF THE STATE CONTROLLER

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STATE CONTROLLER

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DIVISION OF STATEWIDE PAYROLL

LAIRD A. JUSTIN  
ADMINISTRATOR  
DIVISION COMPUTER SERVICES

STEVE J. ALLISON  
ADMINISTRATOR  
DIVISION STATEWIDE ACCOUNTING

January 29, 1998

TO: Citizens and Taxpayers of Idaho  
The Honorable Philip E. Batt, Governor  
Members of the State Legislature

Ladies and Gentlemen:

It is with great pleasure and a real sense of professional satisfaction by my staff and me that we transmit the Comprehensive Annual Financial Report (most often referred to as the "CAFR") to you for the fiscal year ended June 30, 1997. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on recognized standards. This CAFR, which includes the State's independently audited general purpose financial statements, will provide you and the financial community with the information necessary to assess the State's financial position, results of operations, and management of its financial resources. This is the second year the State of Idaho has issued a CAFR and again it contains an unqualified audit opinion. This is our first CAFR to be fully completed and audited for use by our State's policy makers during the legislative session convening just six months after the end of the fiscal year being reported. We have accomplished much with limited resources.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures,

rests with the Office of the State Controller. As the State's Chief Fiscal Officer, I am confident the data presented are accurate in all material respects. It is presented in a manner that fairly sets forth the financial position and results of state operations as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the State's financial position and results of operations have been included.

The ultimate reasons for producing the CAFR are:

- to assess whether current year revenues are sufficient to pay for services provided and determine whether future taxpayers will be required to assume burdens for services provided to past generations.
- to compare the financial performance of the State from one fiscal year to another.
- to avoid potential pitfalls and problems through trend development and analysis supported by timely and reliable financial information.

Enormous strides in statewide financial reporting have been made in Idaho during the past few years. That trend must be ongoing. As the State continues to expand through economic diversification, this new system of financial accountability will provide us with the knowledge needed to chart a solid course for the future.

The overall CAFR is presented in three sections: Introductory, Financial, and Statistical.

**The Introductory Section** includes a message from Governor Batt, this transmittal letter, a state organizational chart, and a list of elected officials of the State.

**The Financial Section** includes the auditor's opinion, general purpose financial statements, required supplementary information, and combining financial statements with supporting schedules and fund descriptions.

**The Statistical Section** includes selected fiscal, social, and demographic information about the State.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB), professional standards of the American Institute of Certified Public Accountants (AICPA), recommendations of the Government Finance Officers Association (GFOA), and state finance law requirements. A summary of significant accounting policies of the State is found in the footnotes of the general purpose financial statements.

In addition to the CAFR, the Office of the State Controller issues other financial reports. It is important to realize that the financial data used in each are derived from the same sources. Accumulating and compiling the data in order to create these financial statements does not require duplicative effort, but instead utilizes complementary information. Some of these reports are:

**Legal Basis Financial Report** - provides a "budget-to-actual comparison" in accordance with appropriations adopted by the Legislature. This report reflects the financial information by individual agency, fund, program, and expenditure object as dictated by appropriation. State policy makers and agency directors are the most likely users of the State's statutory financial report, and it was delivered to the Governor before January 1, 1998, as provided in state law.

**Fiscal Facts in a Nutshell** - provides a brief, highly condensed overview of the State's financial position and operations for the specified period. The general public is the most likely user of this report.

**Idaho Financial Focus** - This easy-to-read two-page report graphically presents the State's financial results of operations, highlights some of the results of major state programs and provides websites and phone numbers of key public offices and officials.

### **Reporting Entity**

The State of Idaho was admitted into the Union as the 43<sup>rd</sup> state in 1890. It covers 83,557 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the West by Washington and Oregon, and on the north by Canada. It has an estimated population of approximately 1.3 million. State government is divided into three Branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is presided over by the Supreme Court which is led by a Chief Justice, elected by the four other Justices.

This report includes all funds and account groups of the State of Idaho. Within the funds are the various departments, agencies, and other



organizational units governed by the State Legislature and/or constitutional officers. The State provides services such as education, health and human services, highway maintenance and construction (i.e. transportation), law enforcement, judicial system, public safety programs, natural resource management, and community and economic development programs. This report reflects costs of these services in both detail and summary.

In addition to general government activities, certain component units have been included in this Comprehensive Annual Financial Report. Component units are legally separate entities which are financially accountable to the State, or for which the nature and significance of their relationship with the State is such that exclusion would cause this report to be misleading or incomplete. The component units that are part of this report include:

- Idaho State Building Authority
- Idaho Housing and Finance Association
- Idaho Life and Health Insurance Guaranty Association

### **Economic Condition and Outlook**

Idaho's economy has been expanding continuously at a rapid pace since the late 1980's. This run of growth peaked in 1994 when employment growth reached 5.6%. Although Idaho's economic growth has slowed somewhat since, it still remains above the economic growth of the nation as a whole. The current outlook for Idaho's economy is for a slight deceleration in 1998, then a modest increase in the growth rate as the 21<sup>st</sup> century unfolds. Idaho is expected to continue growing faster than the nation, but the gap is likely to become much narrower.

One positive aspect to this recent slowing of Idaho's economic growth is that it places the State in a more sustainable range. Extended periods of very rapid growth are often followed by an abrupt halt or, in other words, a recession.

Idaho's recent slowing, while not a guarantee that a recession will not occur, clearly reduces the likelihood of an abrupt end to economic expansion. Idaho's ability to withstand a number of recent "negative shocks" suggests the State has a solid economic foundation.

Highlights of Idaho's recent economic performance include:

- Employment grew by 3.2% in 1996, and is estimated to have grown by 2.9% in 1997.
- Personal income grew by 5.5% in 1996, and is estimated to have grown by 5.3% in 1997.
- Per capita income grew by 3.1% in 1996 and is estimated to have grown by 3.0% in 1997.
- Real (inflation-adjusted) personal income grew by 3.0% in 1996, and is estimated to have grown by 3.2% in 1997.
- Real (inflation-adjusted) per capita personal income grew by 0.7% in 1996, and is estimated to have grown by 0.9% in 1997.
- Population grew by 2.3% in 1996, and is estimated to have grown by 2.3% in 1997.
- Net migration was 17,000 in 1996, and is estimated at 16,700 in 1997.

Idaho's economic outlook is bright. Although employment growth is likely to be slightly slower relative to recent experience in Idaho, it is expected to continue to outpace the growth of the national economy. Job growth in the Gem State is expected to average 2.5% in 1998, vs. 1.9% for national job growth. Strength is likely to come from electrical and non-electrical machinery (high-tech) manufacturing, metal mining, and services employment. These sectors are expected to far outpace their national counterparts and grow at more than double the statewide average rate.

Income growth in Idaho is expected to continue on a course very similar to the past few years, with inflation in the neighborhood of 2% in 1998. This means that real income (i.e. both

total and per capita) growth will actually show improvement in 1998.

Population growth for 1998 is expected to slow a notch to 2.2%. This is more than double the U.S. population growth of 0.9%. Not surprisingly, net migration also slows a bit to 15,900 in 1998. Nonetheless, lower mortgage interest rates support a modest rebound in Idaho housing starts, thereby keeping construction workers busy.

## **Major Initiatives**

### ***Corrections***

Correction issues have become increasingly important for Idaho in the last several years because of the escalating cost of housing inmates. The increased cost of incarceration has reduced the amount of the General Fund available for other statewide priorities, such as public education. The Department of Correction budget has increased 276% during the past 10 years. During this same period total inmate enrollment has increased 163% to 3,970 inmates at the end of fiscal year 1997. These increases have pressured the Idaho Legislature to find alternative ways to build new prisons in order to house this expanding population.

In 1997, the Legislature authorized the State Board of Correction to enter into an agreement with the Idaho State Building Authority to provide financing for construction of a private prison on state-owned land. It is anticipated that the total cost to the State will be less for a prison financed with bonds rather than with private financing, because of lower interest rates. The Legislature granted the State Board of Correction authority to enter into contract(s) with a private prison contractor to oversee construction of the state-owned facility and then operate it as a private prison as long as costs per day are less than those comparable to Department of Correction facilities and other related considerations.

### ***Endowment Fund Investment Reform***

The Governor appointed an Endowment Fund Task Force to study ways of increasing financial returns on endowment lands through changes in its investment strategies. The task force report recommended: restructuring the powers of the Investment Board and the Land Board; developing a "land bank" concept where the proceeds of land sold are invested in other land (currently not allowed by the Constitution) to produce a greater return; and taking certain other steps to create a portfolio structure which reduces the fund's exposure to unnecessary risk and improves performance.

These recommendations were reviewed by a special legislative interim committee. Legislation and a proposed constitutional amendment will be introduced in the 1998 Legislative Session.

### ***Health and Welfare***

At the end of fiscal year 1997 the Department of Health and Welfare finished implementing welfare reforms recommended by the Governor's Welfare Reform Task Force. Implementations included promoting self-sufficiency by requiring clients to participate in work/training programs, setting lifetime limits on eligibility and new methods to enhance child support collections. The State Controller's Office worked very closely with the Department of Health and Welfare to implement the computerized Idaho Child Support Enforcement System (ICES) which tracks delinquent parents who subsequently could lose their driver's licenses, occupational licenses, and other privileges for non-payment of child support. In addition to the implementation of these recommendations, the Department of Health and Welfare spent a great portion of fiscal year 1997 implementing the new federal program known as Temporary Assistance to Needy Families.

## ***Idaho Industrial Commission***

Led by the efforts of Governor Batt, which resulted in authorizing legislation, 1997 was the first year when agricultural employees were included in the Idaho workers' compensation system. Over 5,200 agricultural employees had obtained workers' compensation insurance by the end of calendar year 1997. During that period, 1,648 work-related injuries or illnesses were reported by agricultural employers. These were for men and women who may not have been covered for medical treatment or wage-loss benefits just the year before.

### ***Labor***

The Governor's initiative to create "one-stop career centers" throughout Idaho moved from the planning stage to implementation in fiscal year 1997. The Department of Labor's Workforce Development Council is guiding this collaborative effort to make employment and training services more accessible through a single delivery system.

Since authorization to set up the Workforce Development Training Fund was granted by the Idaho Legislature in 1996, both Idaho Departments of Labor and Commerce have awarded over \$3.4 million in Workforce Development Training Funds to provide skill training to over 2,400 Idaho workers.

A special grant received from the U.S. Department of Labor has provided Idaho's Department of Labor with an opportunity to create new strategies for serving Idaho's migrant and seasonal farm workers. This program, known as the Governor's Hispanic Initiative, which is being replicated nationally, includes videos for employer recruitment and staff training, Spanish language job search modules, a migrant farm worker internet site, and the development of other support materials aimed at expanding employment options for migrant farm workers.

## ***Transportation***

Idaho has been rated as 5<sup>th</sup> in the nation in highway efficiency according to a national study. Idaho has one of the most efficient transportation departments in the nation, according to a report released in April 1997 by the Center for Interdisciplinary Transportation Study at the University of North Carolina. It showed Idaho had improved dramatically, moving to 5<sup>th</sup> from the 19<sup>th</sup> most efficient rating given in 1994. The study reported on the cost-effectiveness of state highway expenditures, based on 12 measures of highway expenditure and system performance.

The Idaho Transportation Department has entered into partnerships with major corporations, businesses and private property owners to share in the costs of road, interchanges and bridge construction projects.

## ***Financial Section***

### ***Internal Control***

The State's management is responsible for establishing and maintaining an internal control structure designed to ensure the State's assets are adequately protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements. In 1994, the formalized Statewide Management Control System (MCS) was developed to provide reasonable assurance that these organizational objectives are met. This system includes both financial and administrative controls and provides a framework for managers to work within their own organizational structures to promote efficient and effective operations in the State. The concept of reasonable assurance recognizes that the cost of a control should not exceed the projected benefits likely to be received. The valuation of costs and benefits requires estimates and judgments by management.

## Budgetary Control

Budgetary controls are incorporated into the Statewide Accounting and Reporting System (STARS). The annual state budget is established through separate appropriations by the Legislature and approved by the Governor for individual departments for specific purposes, special outlays, and/or operating expenditures. All claims presented for payment must be certified by the appropriate department that the expenditure is for a purpose intended by law and a sufficient existing and unexpended appropriation balance is available. STARS also performs various edits to ensure expenditures against appropriation authorizations are not exceeded. In addition to these centralized controls, each department director is required to maintain expenditures within appropriated limits. Extensive use is made of on-line tables and reports, updated daily, to provide detailed and management level reports to state agencies and budget authorities. Detailed monthly reports are prepared to assure expenditures are being executed according to plan. Deviations are identified and budget or spending modifications are made on a continuing basis.

## Investments

In Idaho, (except for certain organizations within the State's reporting entity having independent powers to manage and invest their own cash) the State Treasurer is responsible for investing the State's cash and investment pools. The State Treasurer's investments are made in compliance with the provisions of Idaho Code Title 67, Chapter 12, the State Treasurer also manages an investment pools for local governments' cash balances under the same legal provisions. Legal requirements for the investment of funds maintained in the State's cash and investment pools are discussed in Note 1 to the Financial Statements.

Each month the State Treasurer allocates interest income earned on the investment pool to various funds designated by law to receive the earnings. The allocation is calculated in accordance

with a formula based on average daily cash balances invested over the month.

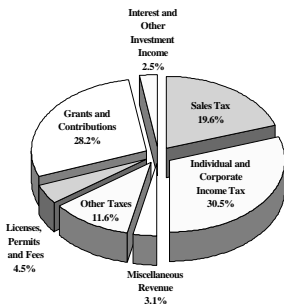
## General Government Functions

### Revenues

The following is a summary of the general government revenues for all governmental fund types for the fiscal year ended June 30, 1997:

Revenues by Source:	1997 In Millions	Percent of Total	Increase (Decrease) from 1996	Percent of Change
Sales Tax	\$624.0	19.6%	\$18.6	3.1%
Individual and Corporate Income Tax	971.3	30.5%	23.5	2.5%
Miscellaneous Revenue	97.1	3.1%	1.2	1.3%
Other Taxes	368.9	11.6%	22.2	6.4%
Licenses, Permits and Fees	143.4	4.5%	(7.9)	-5.2%
Grants and Contributions	895.0	28.2%	89.6	11.1%
Interest and Other Investment Income	80.2	2.5%	7.8	10.8%
Total Revenues	\$3,179.9	100.0%	\$155.0	5.1%

1997 Governmental Fund Type Revenues



Changes in revenues from 1996 to 1997 were highlighted by:

- Continued growth in Idaho's core revenue sources, with Sales Tax rising 3.1% and Individual and Corporate Income Tax rising 2.5%. These increases reflect the continued strength of Idaho's economy.

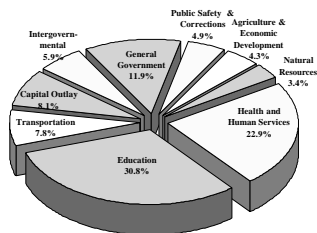
- Increase in Grants and Contributions of 11.1%. The majority of grants and contributions revenue is received from the federal government.
- Increase in Interest and Other Investment Income of 10.8% resulting from higher returns on invested assets.

### Expenditures

The following is a summary of the general government expenditures for all governmental fund types for the fiscal year ended June 30, 1997:

Expenditures by Function:	1997 In Millions	Percent of Total	Increase (Decrease) from 1996	Percent Change
General Government	\$383.2	11.9%	\$33.1	9.5%
Public Safety and Corrections	157.5	4.9%	19.6	14.2%
Agriculture and Economic Development	137.9	4.3%	26.3	23.6%
Natural Resources	110.7	3.4%	(2.4)	-2.1%
Health and Human Services	736.4	22.9%	38.3	5.5%
Education	989.0	30.8%	50.3	5.4%
Transportation	251.2	7.8%	52.1	26.2%
Capital Outlay	258.7	8.1%	7.6	3.0%
Intergovernmental	189.6	5.9%	(8.3)	-4.2%
	\$3,214.2	100.0%	\$216.6	7.2%

1997 Governmental Fund Type Expenditures



Changes in expenditures from 1996 to 1997 were highlighted by:

- Increases in Public Safety and Corrections expenditures of 14.2%, that relate to in-

creases in corrections and juvenile corrections spending as well as disaster recovery expenditures related to flood damage.

- Increases in Agriculture and Economic Development expenditures of 23.6% resulting from the presentation of certain agricultural commodity commissions as part of the State of Idaho for financial reporting purposes in 1997.
- Increases in Transportation expenditures of 26.2% or \$52.1 million. The biggest reason for this increase was over \$30 million of federal funds that became available for floods. Additional increases resulted from the increased distribution of gas taxes from the restricted highway fund gas tax increase implemented in April 1996.

### Proprietary Operations

Activities of government that are similar to private sector businesses are accounted for in enterprise and internal service funds.

**Enterprise Funds** are established to account for services provided to the public for which revenues derived by the activity will support those services. The State Insurance Fund, which provides workers' compensation insurance coverage to the general public, as well as the various state entities, is the enterprise fund having the largest revenue in the State. The State Lottery is the second largest enterprise fund. Revenues generated by the State Lottery, after allowances for prizes and expenses, are distributed equally between the Permanent Building Fund and the Public School Income Funds.

**Internal Service Funds** provide services to state and local governments and are financed through user charges. Most funds attempt to operate on a break-even basis. Rates are adjusted annually for over or under recovery of costs. While the State's internal service funds reside primarily within the Department of Administration and include Group Insurance, Risk Management,

postal, and communication services, the State Controller's Office also has internal service funds for data processing, accounting, and payroll costs.

### **Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent in a custodial capacity. Fiduciary funds include expendable, nonexpendable, pension trust, and agency funds. They are established through trust agreements that specify how the funds will operate. Expendable trust funds, such as the Unemployment Compensation Fund, from which unemployment benefits are paid, are funds where both principal and income can be spent. Nonexpendable trust funds, such as the Endowment Fund, are funds for which the principal cannot be spent, but the income may. The State's pension trust funds are the Public Employee Retirement System of Idaho Plan, the Firemen's Retirement Plan, the Idaho Super Saver 401(k) Plan, and the Judges' Retirement Plan.

### **Constitutional Debt Limitation**

Article VIII, Section 1 of the Idaho Constitution specifies the legislature shall not create any debts or liabilities that exceed \$2 million in the aggregate without the consent of our voters. This provision of the Constitution was incorporated in 1912. The State implemented this on the assumption it applies to debts and liabilities such as general obligation bonded indebtedness and not to liabilities incurred for ordinary obligation expenses, liabilities that arise by operation of law, or debt incurred by the State Board of Education (colleges and universities), State ex rel. Miller v. State Board of Education 56 Idaho 210, 52 P. 2d 141 (1935); Stein v. Morrison, 9 Idaho 426, 75 P. 246 (1904). Lease revenue bonds issued by the Idaho State Building Authority also fall outside this limitation.

### **Debt Administration**

The State has no outstanding general obligation debt.

### **Risk Management**

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. The Risk Management Fund manages property and general liability risk. It self-insures general liability up to \$500,000 per claim and property damage claims up to \$100,000 per claim. Commercial insurance is purchased for property and general liability risks not self-insured. The Group Insurance Fund manages life, health, and disability insurance programs. While the State purchases commercial insurance to cover losses for these programs, losses that exceed 100% of the annual carrier premiums are paid by the State, up to 109% of the premium (110% for life insurance). The insurance carrier then assumes the risk of loss for claims above these amounts.

### **Independent Audit**

In accordance with Idaho Code, Section 67-429, the Legislative Audit staff of the State Legislature has audited the State's financial statements for the year ended June 30, 1997. The audit was conducted in accordance with generally accepted governmental auditing standards (GAGAS) and the auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the federal Single Audit Act of 1984 and related OMB Circular A-128 is performed at the statewide level.

### **Awards**

The Government Finance Officers Association (GFOA) of the United States and Canada awards the Certificate of Achievement for Excellence in Financial Reporting to governmental entities for their respective Comprehensive Annual Financial Reports. In order to be awarded this certificate, a governmental unit must publish an easily readable and efficiently

organized comprehensive annual financial report, the contents of which must conform to program standards. Such reports must also comply with generally accepted accounting principles and meet applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. This report is being submitted to determine certification eligibility. We are committed to this ongoing effort and intend to maintain a highly qualified and professional staff to make Idaho's certification possible.

One of the State's agencies, **The Public Employee Retirement System of Idaho (PERSI)** has prepared a Comprehensive Annual Financial Report for the fund covering the last six years and PERSI should be recognized for this major accomplishment.

### Acknowledgments

The State Controller's Office takes great pride in the compilation of this comprehensive report. It is an honor to recognize our staff for their extraordinary diligence and excellence in preparing the CAFR. Led first by Greg White, CPA, CGFM, until his untimely death, and then by Steve Allison, CPA, CGFM, the professionalism, dedication, and extra effort put forth by all the individuals involved has been exemplary.

Sincere appreciation is extended to Governor Philip E. Batt for his valuable assistance in encouraging state agencies to make timely submissions of their own information required for the preparation of this report. It indeed has been a priority of his administration. Through his supportive actions, he has made it clear that

without a complete and accurate report of the State's financial position, Idaho cannot plan adequately for its future and continue to maintain its strong financial position. This report also reflects the commitment and efforts of the Division of Financial Management staff led first by John Michael Brassey and now by General Darrell Manning. The State's economist, Michael H. Ferguson, provided information contained in the economic condition and outlook portion of this letter.

Sincere appreciation is extended to the budget and accounting officers throughout State government for their major efforts in providing timely information necessary to complete this report. In addition, the strong support of the Legislature and particularly the Joint-Finance Appropriation Committee (JFAC) has made this cornerstone of accountability available to our citizens.

Finally, the auditing staff at Legislative Services led by Larry Kirk must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR has truly served the citizens of Idaho. Much of the credit for our success, and in being able to submit this report on a timely basis to the Idaho Legislature and other state policy makers, goes to them.

Respectfully submitted,

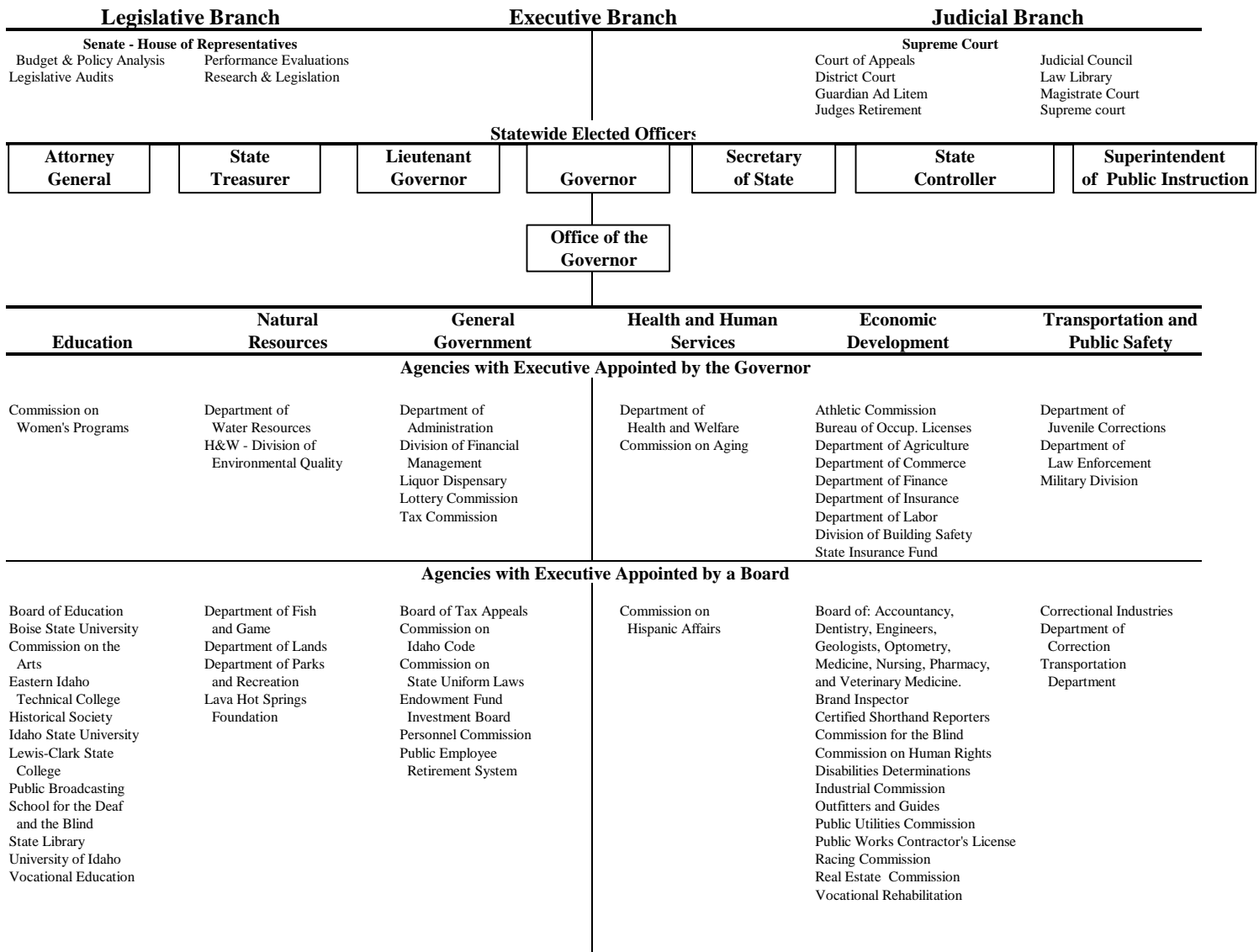


J. D. Williams  
Idaho State Controller



1997-98 Organization Chart  
**Idaho State Government**  
State agencies based on gubernatorial appointment authority

Prepared by the Division of Financial Management





# ELECTED OFFICIALS OF THE STATE OF IDAHO



PHILIP E. BATT  
GOVERNOR



C. L. 'BUTCH' OTTER  
LIEUTENANT GOVERNOR



PETE T. CENARRUSA  
SECRETARY OF STATE



J. D. WILLIAMS  
CONTROLLER



LYDIA JUSTICE EDWARDS  
TREASURER



ALAN G. LANCE  
ATTORNEY GENERAL



ANNE C. FOX  
SUPERINTENDENT OF  
PUBLIC INSTRUCTION



MICHAEL K. SIMPSON  
SPEAKER, HOUSE OF  
REPRESENTATIVES



LINDA COPPLE TROUT  
CHIEF JUSTICE, SUPREME COURT



JERRY T. TWIGGS  
PRESIDENT PRO TEMPORE  
SENATE



# Legislative Services Office Idaho State Legislature

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Carl F. Bianchi  
Director

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Boise, ID 83720-0054  
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January 29, 1998

Independent Auditor's Report

Honorable Philip E. Batt, Governor  
Honorable J.D. Williams, Controller  
Honorable Members of the Legislature

We have audited the accompanying general-purpose financial statements of the State of Idaho as of and for the year ended June 30, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State of Idaho's management. Our responsibility is to express an opinion on the general-purpose financial statements based on our audit. We did not audit the financial statements of certain agencies of the primary government and the blended component unit, which statements reflect the indicated percent of total assets (liabilities) and total revenues, respectively, of the special revenue fund (2% and less than 1%), enterprise fund (21% and 28%), trust and agency fund (85% of assets), general fixed assets account group (11% of assets), general long-term debt account group (63% of liabilities), and colleges and universities (100% and 100%). We also did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and agencies, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. The financial statements of the discretely presented component units, identified in Note 1, were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant

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Independent Auditor's Report

estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Idaho as of June 30, 1997, and the results of its operations, the cash flows of its proprietary fund types, and similar trust funds, the changes in plan net assets of its pension trust funds, and the changes in fund balances and current funds revenues, expenditures, and other changes of college and university funds for the year then ended in conformity with generally accepted accounting principles.

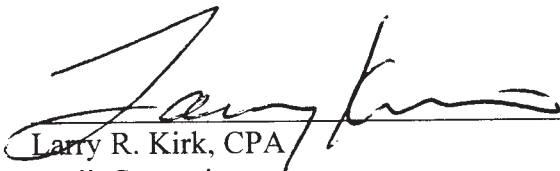
In accordance with *Government Auditing Standards*, our report on the State's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, rules, and grants will be issued under separate cover in the Single Audit Report.

Our report was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining statements and schedules and required supplementary information listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the general-purpose financial statements of the State of Idaho. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections, and accordingly, express no opinion thereon.

Legislative Audits

By:

  
Larry R. Kirk, CPA  
Audit Supervisor